



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Greenup County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2014 financial statement of Greenup County Sheriff Keith M. Cooper. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements, and excess fees of the Greenup County Sheriff in accordance with accounting principles generally accepted in the United States of America. The sheriff's financial statement did not follow this format. However, the sheriff's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 sheriff audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

**The sheriff has \$17,453 of disallowed disbursements from his special enforcement account and did not have adequate controls over the account.** The sheriff does not have adequate controls over his drug enforcement account. The sheriff did not maintain documentation to support receipts and disbursements of the drug enforcement account and did not deposit all drug forfeiture monies, which has resulted in \$17,453 of disallowed disbursements. The following problems were noted:

- On July 16, 2014, monies seized by the sheriff in the amount of \$2,210 were forfeited to the sheriff's office by a court order. On November 17, 2014, funds seized by the sheriff totaling \$3,168 were forfeited to the sheriff's office as part of a plea agreement. There were no deposits made in the sheriff's drug forfeiture account for either of these cases. Based on inquiry of the sheriff, he used this cash for disbursements in other drug cases. However, there was no documentation to support how this cash was used.
- The sheriff withdrew cash in the amount of \$9,000 from the drug enforcement account and again did not maintain any documentation to support how this cash was used.
- The sheriff wrote a check to a car dealership for \$3,000 and to an individual for \$75 without supporting documentation.
- The sheriff did not maintain receipts and disbursements ledgers for the drug enforcement account.

KRS 218A.420(4)(a) requires drug funds forfeited to the sheriff's office to be used for "direct law enforcement purposes." Also, KRS 134.160 requires the sheriff to keep an accurate account and maintain support of all moneys received and disbursed from his office. Without maintaining supporting documentation, there is no way to determine if these disbursements and cash payments were for law enforcement purposes and not used for personal expenses.

We recommend the sheriff maintain copies of court cases, receipts, invoices, etc. applicable to each receipt/disbursement of the drug enforcement account, and maintain a receipts and disbursements ledger which makes reference to the source of the receipt (such as court case number and date), as well as documentation for any disbursement made out of the drug enforcement account. We recommend the sheriff improve controls over his drug enforcement account and ensure that all receipts and disbursements have proper documentation in the future. We further recommend the sheriff deposit personal funds in the amount of \$17,453 in the Special Enforcement Account and ensure that deposits and disbursements are made properly in the future. This finding will be referred to the Office of the Attorney General for further review.

*Sheriff's response: No response.*

**The sheriff has \$4,339 of disallowed disbursements from his 2014 fee account.** The sheriff spent \$4,339 from his 2014 fee account on items that are disallowed. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. The sheriff spent \$114 on newspaper advertisements that were not necessary disbursements of the office. Also, the sheriff did not maintain documentation on \$4,225 of credit card purchases for hotel stays and online purchases. Without supporting documentation, auditors were unable to determine if purchases were for necessary disbursements of the sheriff's office.

We recommend the sheriff personally reimburse the 2014 Fee Account in the amount of \$4,339 for these disallowed disbursements.

*Sheriff's response: Radio and newspaper ads have been stopped. Other expenditures were for training purposes.*

**The sheriff did not file a listing of property seized with the proper authorities.** The sheriff did not submit a listing of property seized with the appropriate authorities. KRS 218A.440(1) requires each law enforcement agency seizing money or property pursuant to KRS 218A.415, at the close of each fiscal year, to file a statement with the Auditor of Public Accounts and with the Secretary of the Justice and Public Safety Cabinet containing a detailed listing of all money and property seized in that fiscal year and the disposition thereof. The listing must identify all property seized. The sheriff failed to prepare a listing of seized property. As a result, the sheriff may be liable to the state for the full value of all property and money seized, as stated in KRS 218A.440(2). We recommend the sheriff comply with this statute in the future.

*Sheriff's response: Will take care of this. A deputy is responsible for this and I'll get with him.*

**The sheriff did not collect receivables and pay previous years' liabilities to the county.** In the 2012 fee audit, it was reported that the sheriff owed the county \$7,123 in excess fees on behalf of the 2010, 2011, and 2012 tax audits. The sheriff did not collect all receivables of his tax account which are owed to the 2012 fee account. Although there should be no netting of receivables and liabilities for any of the tax years, we chose to consolidate the receivables and liabilities from tax years 2010 through 2013, and now the sheriff owes the county \$2,591 in liabilities. The sheriff is required to collect the receivables due from previous years' tax accounts and pay the remainder of liabilities due the county. As of our audit report date, the amounts due had not been paid to the sheriff's 2012 fee account. If the amounts due are not collected, the sheriff would have to deposit \$2,591 from personal funds to pay excess fees due the county. Should the sheriff not pay the amount due the county, the county will be advised of their responsibility to collect this amount in accordance with KRS 64.820. This condition is the result of the sheriff not collecting all receivables due the 2012 fee account. All receivables due the 2012 fee account should be collected to pay the operating expenses of the sheriff's office or excess fees due the county. The sheriff should collect the appropriate amounts due to previous tax accounts or deposit from personal funds \$2,591 to pay excess fees due the county.

*Sheriff's response: This is largely due to an auditor changing a previous years audit (which was approved).*

**The sheriff did not comply with bid procedures for purchases in excess of \$20,000.** We found that the sheriff purchased two Dodge Chargers for \$30,015 each without advertising for bids as required by KRS 424.260. Making purchases over \$20,000 without advertising for bids is allowable if purchases are made from an approved state contract vendor for the state contract price. However, these purchases were made from a vendor other than the approved state contract vendor, causing the necessity to advertise for bids. By not advertising for bids, the sheriff may not be getting the lowest price for vehicles.

In order to use a vendor for any purchase over \$20,000, without advertising for bids, the sheriff should adopt the state's Model Procurement Code (KRS 45A.343-460) and they would have the following options:

1. Purchasing the vehicles from state price contract vendors.
2. Advertising for bids to negotiate a lower price.
3. Negotiating directly with a vendor as long as the final price does not exceed the state price contract.

Since the sheriff has not adopted the state's Model Procurement Code, they can either purchase from an approved state contract vendors or advertise for bids. We recommend the sheriff purchase from state price contract vendors, advertise for bids for all purchases over \$20,000 or more in accordance with KRS 424.260, or adopt the state's Model Procurement Code.

*Sheriff's response: O.K.*

**The sheriff's office lacks adequate segregation of duties.** The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities. Lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. This condition is a result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

*Sheriff's response: I understand.*

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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